Lindsell Train Investment Trust PLC

All data at 31 July 2016

Market Capitalisation
£152.0m

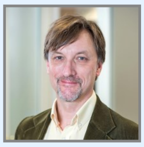
Share Price: £760.00

Net Asset Value: £517.91

Premium (Discount): 46.74%

Source: Lindsell Train Ltd/ Maitland Administrators & Bloomberg.
Share Price is based on closing mid price.

Portfolio Manager



Nick Train

Fund Objective

To maximise long-term total return subject to the avoidance of loss of absolute value and with a minimum objective to maintain the real purchasing power of Sterling capital, as measured by the annual average running yield on the longest-dated UK government fixed rate bond.

Fund Performance (GBP)

Calendar Year Performance (%)	*2011*	*2012*	*2013*	*2014*	*2015*
Lindsell Train Investment Trust NAV	+9.4	+14.9	+25.9	+15.2	+23.0
Lindsell Train Investment Trust Price	+7.0	+28.0	+21.5	+8.7	+54.3
MSCI World Index £	-4.8	+10.7	+24.3	+11.5	+4.9
Benchmark*	+4.6	+4.0	+4.0	+4.3	+4.0

Cumulative Performance (%) 31 July 2016	*Since Launch*	*5yr*	*3yr*	*1yr*	*YTD*	*3m*	*1m*
Lindsell Train Investment Trust NAV	+537.2	+157.9	+74.6	+25.3	+21.6	+14.1	+6.2
Lindsell Train Investment Trust Price	+836.6	+252.3	+142.5	+46.1	+33.3	+28.8	+19.7
MSCI World Index £	+107.5	+80.9	+38.3	+17.0	+16.5	+14.3	+4.9
Benchmark*	+100.0	+22.4	+13.0	+4.1	+2.4	+1.0	+0.3

Source: Lindsell Train Ltd, Bloomberg and Morningstar Direct. Listed securities in the portfolio are valued at the closing bid price. GBP return net of fees and expenses. MSCI World Index is not the Trust's benchmark and is shown for comparative purposes only.

Benchmark*: Index of annual average running yield of the 2½% Consolidated Loan Stock until 31 March 2015 and then the Index of the annual average running yield on the longest-dated UK government fixed rate bond plus 0.5% with a minimum yield of 4%

Past performance is not a guide to future performance.

Strategy Profile

Top 10 Holdings (% NAV)	
Lindsell Train Limited (unlisted)	33.0
Diageo	8.8
Unilever	7.2
LT Japanese Equity Fund	6.6
London Stock Exchange	6.6
A G Barr	6.6
Nintendo	6.3
RELX	4.5
Heineken Holdings	4.5
Mondelez	3.1

Allocation (% NAV)	
Equities:	
Consumer Franchises	30.1
Financials	6.6
Media	17.7
Unlisted Securities	33.0
Funds	11.8
Cash & Equivalent	0.8
Total	**100.0**

Lindsell Train sector definitions

Fund Exposure %	*Equity*	*Funds*	*Cash*	*Total*
UK	69.1	2.6	0.3	**72.0**
USA	7.5	-	0.5	**8.0**
Europe (ex UK)	4.5	-	-	**4.5**
Japan	6.3	6.7	-	**13.0**
Global	-	2.5	-	**2.5**
Total	**87.4**	**11.8**	**0.8**	**100.0**

Fund Information

Listing: **London Stock Exchange**

Launch Date: **22 January 2001**

Base Currency: **GBP (£)**

Year End: **31 March**

Benchmark: **The annual average running yield on the longest-dated UK government fixed rate bond plus 0.5% with a minimum yield of 4%**

Management Fees

Annual Fee:

0.65% of the lower of the market cap or NAV

Performance Fee :

10% of annual increase in the lower of NAV or share price above the benchmark return and calculated with a high watermark

Bloomberg:

LTI LN

ISIN :

GB0031977944

The Board:

Julian Cazalet (Chairman)
Vivien Gould
Rory Landman
Michael Lindsell
Michael Mackenzie

Corporate Secretary & Registered Office: **Maitland Institutional Services Limited, Springfield Lodge, Colchester Road, ESSEX CM2 5PW**
Phone: 01245 398950

Investment Manager & Promoter: **Lindsell Train Ltd, 66 Buckingham Gate, London, SW1E 6AU**
Phone: +44 20 7808 1210 / info@lindselltrain.com

Registrars: **Capita Registrars , The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU**

Portfolio Manager's Comments

The stand-out event of this month has been the phenomenal performance of Nintendo. It ended the month up 47%. Nintendo's price rise is directly attributable to the success of a new smartphone game 'Pokemon GO' that has gone viral around the world, topping download charts and in the USA, where it was first released, exceeding Twitter's 65m users.

As most longstanding investors in the Trust will know, we have been committed owners of Nintendo throughout most of the Trust's life. Simply put, we think that Nintendo owns some of the most valuable intellectually property ('IP') around. Its video game IP is a genre of entertainment familiar to many, especially to children and teenagers, built around cartoon characters with Mario perhaps the best known. In popularity and ubiquity the characters represent the 21st century equivalent of Disney's characters such as the emblematic Mickey Mouse. But Nintendo over the last five years has failed to monetise its IP, questioning its value in the eyes of other investors. During this time, the advent of the smartphone and the ability to play games on such devices has for now diminished the importance of dedicated game platforms on which Nintendo IP was exclusively played. There is no doubt that Nintendo has lost out but on the other hand the emergence of the smartphone as a game playing platform has widened the population of game players generally, especially casual ones who Nintendo targets as its core audience. At the same time the distribution of game software has changed from cartridges and CDs to digital downloads. With digital distribution the scope for piracy has lessened considerably, a big concern in the past, which potentially opens up the market to jurisdictions such as emerging markets where the protection of IP rights has historically been poor. So in spite of Nintendo's poor business performance over the past five years the potential gaming population has expanded exponentially -from say 100-200m console owners to an estimated 2bn smartphone owners globally today.

The huge initial success of 'Pokemon GO' is a vivid demonstration of the value of Nintendo's IP and the scale of the market opportunity if Nintendo can lure gamers to engage with their IP. And remember Pokemon is just one of Nintendo's many franchises. Others have even greater heritage – Mario, Zelda, Donkey Kong etc. Indeed, over the last 25+years Nintendo has sold more than 4bn game software titles, dwarfing the cumulative sales of any other gaming company.

Nintendo has not however solved the problem of monetising its IP. Pokemon GO is licensed to a Google affiliate Ninantic and anyway Nintendo only has a 32% direct ownership of Pokemon itself. Pokemon GO is free to play and only monetisable from add-on's and perhaps from its ability to draw gamers (footfall) to specific locations. The company launches its first 100% owned smartphone games titles in the Autumn, two relatively new Nintendo franchises 'Animal Crossing' and 'Fire Emblem', in a joint venture with DENA. Nintendo see these free to play smartphone games as a way of showcasing its IP using the huge scope of the smartphone platform rather than necessarily earning huge profits. From this perspective Pokemon GO has worked magnificently – the value of Pokemon's IP, already high before the launch of Pokemon GO, has increased even more. One hopes these launches on smartphone platforms will have a similar effect on these newer titles. Nintendo still thinks that to monetise its IP properly gamers need to be persuaded to buy its own dedicated platforms, which host more immersive games for which gamers will pay hard dollars - hence its project to launch the new Nintendo NX platform in Spring next year.

Nintendo's current enterprise value is ¥2.0T, 4x depressed sales of c.¥500bn. We think Nintendo should be able to generate c.20% operating margins - average margins over the last 20 years were 16% - and on the basis of that should be able to sustain the current valuation. But this does not account for any incremental success in monetising its IP, which should be possible given the popularity of its titles. It wasn't that long ago (2009) that, with the success of the 3DS and the Wii, the company's sales were ¥1.8T and its net profits were ¥290bn, 7x its current enterprise value. Its dividend that year was ¥1,440 per share which equates to a c.7% yield on today's price.

So in our view if Nintendo succeeds in embracing the digitalisation of video games, using the vast scope of the smartphone platform to further boost the value of its IP and then to monetise that IP on new innovative platforms, the shares still have much more potential to reward investors in the future.

Michael Lindsell, Lindsell Train Ltd